



ANNUAL STATEMENT
For the Year Ending December 31, 2005
OF THE CONDITION AND AFFAIRS OF THE
Preferred Health Partnership of Tennessee, Inc.

NAIC Group Code	1253 (Current Period)	1253 (Prior Period)	NAIC Company Code	95749	Employer's ID Number	62-1546662
Organized under the Laws of	Tennessee		State of Domicile or Port of Entry	Tennessee		
Country of Domicile	United States of America					
Licensed as business type:	Life, Accident & Health[] Dental Service Corporation[] Other[]		Property/Casualty[] Vision Service Corporation[] Is HMO Federally Qualified? Yes[X] No[] N/A[]		Hospital, Medical & Dental Service or Indemnity[] Health Maintenance Organization[X]	
Incorporated/Organized	01/01/1994		Commenced Business	01/01/1994		
Statutory Home Office	1420 Centerpoint Blvd. (Street and Number)		Knoxville , TN 37932 (City, or Town, State and Zip Code)			
Main Administrative Office			1420 Centerpoint Blvd. (Street and Number)			
	Knoxville, TN 37932 (City or Town, State and Zip Code)		(865)670-7282 (Area Code) (Telephone Number)			
Mail Address	1420 Centerpoint Blvd. (Street and Number or P.O. Box)		Knoxville, TN 37932 (City, or Town, State and Zip Code)			
Primary Location of Books and Records			1420 Centerpoint Blvd. (Street and Number)			
	Knoxville, TN 37932 (City, or Town, State and Zip Code)		(865)670-7282 (Area Code) (Telephone Number)			
Internet Website Address						
Statutory Statement Contact	Melissa R Anderson (Name)		(865)670-7282 (Area Code)(Telephone Number)(Extension)			
	manders1@covhlth.com (E-Mail Address)		(865)470-7461 (Fax Number)			
Policyowner Relations Contact			1420 Centerpoint Blvd. (Street and Number)			
	Knoxville, TN 37932 (City, or Town, State and Zip Code)		(865)470-7470 (Area Code) (Telephone Number)(Extension)			

OFFICERS

Name	Title
Lance K. Hunsinger	President
Jeffery S. Collake	Chief Financial Officer
Jeffery S. Collake	Secretary

OTHERS

DIRECTORS OR TRUSTEES

Kenneth Truman Creed
Michael McKay Dudley
Randolph Murphree Lowry MD
Cletus Joseph McMahon Jr. MD
David A. Nowiski
Anthony L. Spezia
Sandra L. Mathy

Thomas Rowe Bell
Daniel J. David MD
Marvin H. Eichorn
Kenneth Frederick Luckman MD
Michael Earl Mitchell MD
Francis H. Olmstead Jr.
Dean M. Turner MD

State of Tennessee
County of Knox ss

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature) Lance K. Hunsinger (Printed Name) President (Title)	(Signature) Jeffery S. Collake (Printed Name) Chief Financial Officer (Title)	(Signature) Jeffery S. Collake (Printed Name) Secretary (Title)
Subscribed and sworn to before me this _____ day of _____, 2006	a. Is this an original filing? b. If no, 1. State the amendment number 2. Date filed 3. Number of pages attached	Yes[] No[X] 2 06/05/2006 26
_____ (Notary Public Signature)		

ASSETS

		Current Year			Prior Year
		1	2	3	4
		Assets	Nonadmitted Assets	Net Admitted Assets (Cols.1-2)	Net Admitted Assets
1.	Bonds (Schedule D)	56,091,974		56,091,974	58,499,929
2.	Stocks (Schedule D)				
2.1	Preferred stocks				
2.2	Common Stocks				
3.	Mortgage loans on real estate (Schedule B):				
3.1	First liens				
3.2	Other than first liens				
4.	Real estate (Schedule A):				
4.1	Properties occupied by the company (less \$..... encumbrances)				
4.2	Properties held for the production of income (less \$..... encumbrances)				
4.3	Properties held for sale (less \$..... encumbrances)				
5.	Cash (\$.....242,314 Schedule E Part 1), cash equivalents (\$..... Schedule E Part 2) and short-term investments (\$.....1,556,318 Schedule DA)	1,798,632		1,798,632	40,995
6.	Contract loans (including \$..... premium notes)				
7.	Other invested assets (Schedule BA)				
8.	Receivables for securities				
9.	Aggregate write-ins for invested assets				
10.	Subtotals, cash and invested assets (Lines 1 to 9)	57,890,606		57,890,606	58,540,924
11.	Title plants less \$..... charged off (for Title insurers only)				
12.	Investment income due and accrued	846,215		846,215	898,391
13.	Premiums and considerations				
13.1	Uncollected premiums and agents' balances in the course of collection				
13.2	Deferred premiums, agents' balances and installments booked but deferred and not yet due (Including \$..... earned but unbilled premiums)				
13.3	Accrued retrospective premiums				
14.	Reinsurance:				
14.1	Amounts recoverable from reinsurers				
14.2	Funds held by or deposited with reinsured companies				
14.3	Other amounts receivable under reinsurance contracts				
15.	Amounts receivable relating to uninsured plans				
16.1	Current federal and foreign income tax recoverable and interest thereon				
16.2	Net deferred tax asset				
17.	Guaranty funds receivable or on deposit				
18.	Electronic data processing equipment and software				
19.	Furniture and equipment, including health care delivery assets (\$.....)				
20.	Net adjustment in assets and liabilities due to foreign exchange rates				
21.	Receivables from parent, subsidiaries and affiliates	290,165	36,464	253,701	2,511,535
22.	Health care (\$.....) and other amounts receivable				
23.	Aggregate write-ins for other than invested assets	37,510		37,510	54,656
24.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	59,064,496	36,464	59,028,032	62,005,506
25.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26.	Total (Lines 24 and 25)	59,064,496	36,464	59,028,032	62,005,506
DETAILS OF WRITE-INS					
0901	.....			
0902	.....			
0903	.....			
0998.	Summary of remaining write-ins for Line 9 from overflow page				
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above)				
2301.	A/R Risk Share				
2302.	A/R State Admin	37,510		37,510	54,656
2303	.....			
2398.	Summary of remaining write-ins for Line 23 from overflow page				
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	37,510		37,510	54,656

LIABILITIES, CAPITAL AND SURPLUS

		Current Year			Prior Year
		1 Covered	2 Uncovered	3 Total	4 Total
1.	Claims unpaid (less \$..... reinsurance ceded)				1,000,000
2.	Accrued medical incentive pool and bonus amounts				
3.	Unpaid claims adjustment expenses				30,000
4.	Aggregate health policy reserves	6,732,000		6,732,000	10,826,641
5.	Aggregate life policy reserves				
6.	Property/casualty unearned premium reserves				
7.	Aggregate health claim reserves				
8.	Premiums received in advance				
9.	General expenses due or accrued	5,246,539		5,246,539	9,805,245
10.1	Current federal and foreign income tax payable and interest thereon (including \$..... on realized capital gains (losses))				
10.2	Net deferred tax liability				
11.	Ceded reinsurance premiums payable				
12.	Amounts withheld or retained for the account of others				
13.	Remittance and items not allocated				
14.	Borrowed money (including \$..... current) and interest thereon \$..... (including \$..... current)				
15.	Amounts due to parent, subsidiaries and affiliates	215,985		215,985	
16.	Payable for securities				
17.	Funds held under reinsurance treaties with (\$..... authorized reinsurers and \$..... unauthorized reinsurers)				
18.	Reinsurance in unauthorized companies				
19.	Net adjustments in assets and liabilities due to foreign exchange rates				
20.	Liability for amounts held under uninsured accident and health plans				
21.	Aggregate write-ins for other liabilities (including \$..... current)	11,488,605		11,488,605	14,082,990
22.	Total liabilities (Lines 1 to 21)	23,683,129		23,683,129	35,744,876
23.	Aggregate write-ins for special surplus funds	X X X	X X X		
24.	Common capital stock	X X X	X X X	1,000	1,000
25.	Preferred capital stock	X X X	X X X		
26.	Gross paid in and contributed surplus	X X X	X X X	61,379,848	61,379,848
27.	Surplus notes	X X X	X X X		
28.	Aggregate write-ins for other than special surplus funds	X X X	X X X		
29.	Unassigned funds (surplus)	X X X	X X X	(26,035,945)	(35,120,218)
30.	Less treasury stock, at cost:				
30.1	..... shares common (value included in Line 24 \$.....)	X X X	X X X		
30.2	..... shares preferred (value included in Line 25 \$.....)	X X X	X X X		
31.	Total capital and surplus (Lines 23 to 29 minus Line 30)	X X X	X X X	35,344,903	26,260,630
32.	Total Liabilities, capital and surplus (Lines 22 and 31)	X X X	X X X	59,028,032	62,005,506
DETAILS OF WRITE-INS					
2101.	Accrued Run-Out Costs	11,488,605		11,488,605	14,082,990
2102.	Grier Decree Accrual				
2103.	Reserve for Transplants				
2198.	Summary of remaining write-ins for Line 21 from overflow page				
2199.	TOTALS (Lines 2101 through 2103 plus 2198) (Line 21 above)	11,488,605		11,488,605	14,082,990
2301	.....	X X X	X X X		
2302	.....	X X X	X X X		
2303	.....	X X X	X X X		
2398.	Summary of remaining write-ins for Line 23 from overflow page	X X X	X X X		
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	X X X	X X X		
2801	.....	X X X	X X X		
2802	.....	X X X	X X X		
2803	.....	X X X	X X X		
2898.	Summary of remaining write-ins for Line 28 from overflow page	X X X	X X X		
2899.	TOTALS (Lines 2801 through 2803 plus 2898) (Line 28 above)	X X X	X X X		

STATEMENT OF REVENUE AND EXPENSES

		Current Year		Prior Year
		1 Uncovered	2 Total	3 Total
1.	Member Months	X X X	1,498,890	1,585,507
2.	Net premium income (including \$..... non-health premium income)	X X X		
3.	Change in unearned premium reserves and reserve for rate credits	X X X		
4.	Fee-for-service (net of \$..... medical expenses)	X X X		
5.	Risk revenue	X X X		
6.	Aggregate write-ins for other health care related revenues	X X X	4,822,730	4,031,669
7.	Aggregate write-ins for other non-health revenues	X X X		
8.	Total revenues (Lines 2 to 7)	X X X	4,822,730	4,031,669
Hospital and Medical:				
9.	Hospital/medical benefits			
10.	Other professional services	(997,145)	(997,145)	(581,562)
11.	Outside referrals			
12.	Emergency room and out-of-area			
13.	Prescription drugs	(107,784)	(107,784)	(34,858)
14.	Aggregate write-ins for other hospital and medical	(636,887)	(636,887)	(250,200)
15.	Incentive pool, withhold adjustments and bonus amounts			
16.	Subtotal (Lines 9 to 15)	(1,741,816)	(1,741,816)	(866,620)
Less:				
17.	Net reinsurance recoveries			
18.	Total hospital and medical (Lines 16 minus 17)	(1,741,816)	(1,741,816)	(866,620)
19.	Non-health claims (net)			
20.	Claims adjustment expenses, including \$..... cost containment expenses			
21.	General administrative expenses			
22.	Increase in reserves for life and accident and health contracts (including \$..... increase in reserves for life only)			
23.	Total underwriting deductions (Lines 18 through 22)	(1,741,816)	(1,741,816)	(866,620)
24.	Net underwriting gain or (loss) (Lines 8 minus 23)	X X X	6,564,546	4,898,289
25.	Net investment income earned (Exhibit of Net Investment Income, Line 17)		2,264,548	2,231,998
26.	Net realized capital gains (losses) less capital gains tax of \$.....		44,459	153,673
27.	Net investment gains (losses) (Lines 25 plus 26)		2,309,007	2,385,671
28.	Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....) (amount charged off \$.....)]			
29.	Aggregate write-ins for other income or expenses			
30.	Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	X X X	8,873,553	7,283,960
31.	Federal and foreign income taxes incurred	X X X	(249,424)	2,209,893
32.	Net income (loss) (Lines 30 minus 31)	X X X	9,122,977	5,074,067
DETAILS OF WRITE-INS				
0601.	Other Revenue	X X X	655,716	
0602.	State Admin Revenue	X X X	4,167,014	4,031,669
0603	.....	X X X		
0698.	Summary of remaining write-ins for Line 6 from overflow page	X X X		
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)	X X X	4,822,730	4,031,669
0701	.....	X X X		
0702	.....	X X X		
0703	.....	X X X		
0798.	Summary of remaining write-ins for Line 7 from overflow page	X X X		
0799.	TOTALS (Line 0701 through 0703 plus 0798) (Line 7 above)	X X X		
1401.	Recoveries	(632,357)	(632,357)	(496,848)
1402.	Risk Share	(4,530)	(4,530)	246,648
1403	.....		
1498.	Summary of remaining write-ins for Line 14 from overflow page			
1499.	TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)	(636,887)	(636,887)	(250,200)
2901	.....		
2902	.....		
2903	.....		
2998.	Summary of remaining write-ins for Line 29 from overflow page			
2999.	TOTALS (Line 2901 through 2903 plus 2998) (Line 29 above)			

STATEMENT OF REVENUE AND EXPENSES (Continued)

		1	2
		Current Year	Prior Year
CAPITAL & SURPLUS ACCOUNT			
33.	Capital and surplus prior reporting year	26,260,630	21,186,563
GAINS AND LOSSES TO CAPITAL & SURPLUS			
34.	Net income or (loss) from Line 32	9,122,977	5,074,067
35.	Change in valuation basis of aggregate policy and claim reserves		
36.	Change in net unrealized capital gains (losses) less capital gains tax of \$.....		
37.	Change in net unrealized foreign exchange capital gain or (loss)		
38.	Change in net deferred income tax		
39.	Change in nonadmitted assets	0	0
40.	Change in unauthorized reinsurance		
41.	Change in treasury stock		
42.	Change in surplus notes		
43.	Cumulative effect of changes in accounting principles		
44.	Capital Changes:		
44.1	Paid in		
44.2	Transferred from surplus (Stock Dividend)		
44.3	Transferred to surplus		
45.	Surplus adjustments:		
45.1	Paid in		
45.2	Transferred to capital (Stock Dividend)		
45.3	Transferred from capital		
46.	Dividends to stockholders		
47.	Aggregate write-ins for gains or (losses) in surplus	(38,703)	
48.	Net change in capital and surplus (Lines 34 to 47)	9,084,273	5,074,068
49.	Capital and surplus end of reporting year (Line 33 plus 48)	35,344,903	26,260,631
DETAILS OF WRITE-INS			
4701.	Change in Unrealized Valuation	(38,703)	
4702	.....	
4703	.....	
4798.	Summary of remaining write-ins for Line 47 from overflow page		
4799.	TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above)	(38,703)	

Report #2A: TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES

	Current Year		Previous Year
	Current Period	Year to Date Total	Total
Member Months	0	0	0
REVENUES:			
1. TennCare Capitation	0	0	0
2. Investment	590,084	2,309,007	2,385,671
3. Other Revenue	0	655,716	0
State Admin Revenue	4,167,015	4,167,015	4,031,669
4. TOTAL REVENUES (Lines 1 to 3)	4,757,099	7,131,738	6,417,340
EXPENSES:			
Medical and Hospital Services:			
5. Capitated Physician Services	0	0	0
6. Fee-For-Service Physician Services	0	0	0
7. Inpatient Hospital Services	1,013	(997,145)	(581,562)
8. Outpatient Services	0	0	0
9. Emergency Room Services	0	0	0
10. Mental Health Services	0	0	0
11. Dental Services (Capitated & FFS)	0	0	0
12. Vision Services (Capitated , FFS & Opthamology)	0	0	0
13. Pharmacy Services (Capitated & FFS)	0	(107,784)	(34,858)
14. Home Health Services	0	0	0
15. Chiropractic Services	0	0	0
16. Radiology Services	0	0	0
17. Laboratory Services	0	0	0
18. Durable Medical Equipment Services	0	0	0
19. Transportation Services (Capitated)	0	0	0
20. Outside Referrals	0	0	0
21. Medical Incentive Pool and Withhold Adjustments	0	0	0
22. Occupancy, Depreciation, and Amortization	0	0	0
23. Other Medical and Hospital Services (Provide Detail)			
Surgery - Orthopedic - FFS Office	0	0	0
MCO Delegated Services	0	0	0
Allergy & Immunology FFS Office & Other	0	0	0
Counselors/Therapists	0	0	0
Otolaryngology - FFS Office	0	0	0
Anesthesiology - FFS Hosp & Other	0	0	0
Gastroenterology	0	0	0
Preventive Medicine	0	0	0
Ped Emergency Medicine - FFS Hospital	0	0	0
IBNR	0	0	0
Risk Share	0	0	246,648
24. Subtotal (Lines 5 to 23)	1,013	(1,104,929)	(369,772)
25. Reinsurance Expenses Net of Recoveries	0	0	0
LESS:	0		
26. Copayments	0	0	0
27. Subrogation	0	0	0
27a Recoveries	303,025	636,887	496,848
28. Coordination of Benefits	0	0	0
29. Subtotal (Lines 26 to 28)	303,025	636,887	496,848
30. TOTAL MEDICAL AND HOSPITAL (Lines 24 and 25 less 29)	(302,012)	(1,741,816)	(866,619)

Report #2A (Continued): TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES			
	Current Year		Previous Year
	Current Period	Year to Date Total	Total
Administration:			
31. Compensation (Including Allocated Costs)	2,014,893	9,538,794	8,899,639
32. Marketing (Including Allocated Costs)	1,158	3,106	16,074
33. Premium Tax Expense	79,458	369,197	413,846
34. Occupancy, Depreciation and Amortization (Including Allocated Costs)	206,462	720,997	847,432
35. Other Administration (Provide detail)			
Printing	22,130	66,052	178,877
Rent/Utilities	0	0	0
Franchise, Excise & Property Taxes	0	0	0
Postage	75,839	249,715	300,464
Legal Fees	12,877	46,540	20,953
Liquidated Damages	0	600,000	1,207,740
Outside Services	106,352	469,798	449,580
Board & Committee Fees	0		
Auditing, actuarial and other consulting services	0		
Books & Subscriptions	1,595	3,038	1,929
Dues, Fees & Licenses	51	971	4,015
Education & Seminars	0	0	2,648
Meals & Entertainment	149	397	1,363
Office Supplies	924	1,533	1,804
Minor Equipment	0		
Travel	88	99	4,783
Wellness Program	0		
Leases & Rentals of equipment	0		
Repairs/Maintenance Agreements	0	52,851	387
Telephone/Beepers/Cellular Phones	0	0	140
Temp/Contract Personnel	24,933	52,473	14,801
Provision for Loss Contracts	0		
Risk Banding Reserve	0		
Program Run Out Expense	0		
State Admin Revenue	194,134	(14,292,822)	(16,660,565)
Miscellaneous Expense	(6,725,394)	(6,303,471)	(3,032,525)
Total DIRECT Expenses	(3,984,352)	(8,420,732)	(7,326,616)
Other ALLOCATED Expenses (Provide detail)			
Rent/Utilities	155,830	623,199	537,634
Printing	907	67,025	141,274
Postage	124,096	274,158	373,155
Legal Fees	(166,762)	142,550	745,164
Outside Services	728,964	2,364,908	743,642
Board & Committee Fees	(2,651)	95,293	170,130
Survey Fees	(83,531)	29,158	54,527
Telephone/Beepers/Cellular Phones	59,471	210,955	232,273
Books & Subscriptions	52,106	97,744	130,040
Minor Equipment	118,620	141,998	99,858
Computer Supplies	0	0	0
Dues, Fees & Licenses	18,404	134,119	229,951
Education & Seminars	21,612	71,989	35,637
Meals & Entertainment	7,072	27,882	30,659
Office Supplies	20,615	92,808	96,042
Travel	27,332	74,266	79,554
Miscellaneous Expense	20,395	170,522	158,185
Franchise, Excise & Property Taxes & Sales/Use Tax	(68,825)	84,085	139,083
Insurance	123,952	422,230	414,930
Leases & Rentals of equipment	17,978	98,157	128,625
Repairs/Maintenance Agreements	187,320	630,515	524,947
Relocation Expense Total	309	2,130	9,937
Training and Orientation Total	0	0	0
Temp/Contract Personnel	129,845	404,890	547,674
Covenant Management Fees	540,038	2,160,152	1,703,691
Total ALLOCATED Expenses	2,033,097	8,420,733	7,326,615
36. TOTAL ADMINISTRATION (Lines 31 to 36)	(1,951,254)	1	(0)
FIT & Excise Tax	(249,424)	(249,424)	2,209,893
37. Total Other Expenses:	(249,424)	(249,424)	2,209,893
38. TOTAL EXPENSES (Lines 30 and 37 and 37A)	(2,502,690)	(1,991,239)	1,343,273
39. NET INCOME (LOSS) (Line 4 less Line 38)	7,259,789	9,122,977	5,074,067

Report #2A: TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES

	Current Year		Previous Year
	Current Period	Year to Date Total	Total
Member Months	350,530	1,498,890	1,585,507
REVENUES:			
1. TennCare Capitation	43,186,140	211,259,842	215,259,968
2. Investment	593,273	2,322,500	2,387,530
3. Other Revenue	0	655,716	0
State Admin Revenue	4,167,015	4,167,015	4,031,669
IBNR / Capitation Revenue Receivable	1,040,623	31,396,233	32,463,841
Premium Tax	885,361	3,206,410	3,325,980
4. TOTAL REVENUES (Lines 1 to 3)	49,872,412	253,007,716	257,468,988
EXPENSES:			
Medical and Hospital Services:			
5. Capitated Physician Services	95,510	1,082,369	1,455,699
6. Fee-For-Service Physician Services	4,628,330	23,650,807	24,758,072
7. Inpatient Hospital Services	24,699,892	141,358,665	144,301,186
8. Outpatient Services	16,148	68,002	61,435
9. Emergency Room Services	2,761,258	12,722,130	12,879,752
10. Mental Health Services	12,431	78,931	62,820
11. Dental Services (Capitated & FFS)	369	3,471	7,730
12. Vision Services (Capitated , FFS & Opthamology)	205,371	879,021	864,314
13. Pharmacy Services (Capitated & FFS)	(4,105)	(118,232)	(49,587)
14. Home Health Services	117,480	401,652	434,412
15. Chiropractic Services	0	0	0
16. Radiology Services	34,086	180,221	200,976
17. Laboratory Services	6,127,372	32,643,097	33,972,466
18. Durable Medical Equipment Services	1,447,603	8,520,223	7,805,932
19. Transportation Services (Capitated)	992,822	4,817,145	5,003,592
20. Outside Referrals	0	0	0
21. Medical Incentive Pool and Withhold Adjustments	0	0	0
22. Occupancy, Depreciation, and Amortization	0	0	0
23. Other Medical and Hospital Services (Provide Detail)			
Surgery - Orthopedic - FFS Office	0	0	0
MCO Delegated Services	0	0	0
Allergy & Immunology FFS Office & Other	1,814,251	7,636,968	6,216,562
Counselors/Therapists	0	0	0
Otolaryngology - FFS Office	414,397	1,494,984	1,455,865
Anesthesiology - FFS Hosp & Other	692,208	3,464,740	3,424,862
Gastroenterology	10,514	68,053	86,098
Preventive Medicine	769,413	3,362,278	3,335,487
Ped Emergency Medicine - FFS Hospital	0	0	0
Miscellaneous	26,886	136,318	952,934
IBNR	0	0	0
Risk Share	0		246,648
24. Subtotal (Lines 5 to 23)	44,862,236	242,450,843	247,477,255
25. Reinsurance Expenses Net of Recoveries	0	0	0
LESS:			
26. Copayments	0	0	0
27. Subrogation	236,293	741,975	533,153
27a Recoveries	698,004	1,868,340	1,129,987
28. Coordination of Benefits	0	0	0
29. Subtotal (Lines 26 to 28)	934,297	2,610,315	1,663,140
30. TOTAL MEDICAL AND HOSPITAL (Lines 24 and 25 less 29)	43,927,939	239,840,528	245,814,115

Report #2A (Continued): TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES			
	Current Year		Previous Year
	Current Period	Year to Date Total	Total
Administration: 31. Compensation (Including Allocated Costs) 2,014,893 32. Marketing (Including Allocated Costs) 1,158 33. Premium Tax Expense 964,819 34. Occupancy, Depreciation and Amortization (Including Allocated Costs) 206,462 35. Other Administration (Provide detail) 0 Printing 22,130 Rent/Utilities 0 Franchise, Excise & Property Taxes 0 Postage 75,839 Legal Fees 12,877 Liquidated Damages 0 Outside Services 106,352 Board & Committee Fees 0 Auditing, actuarial and other consulting services 0 Books & Subscriptions 1,595 Dues, Fees & Licenses 51 Education & Seminars 0 Meals & Entertainment 149 Office Supplies 924 Minor Equipment 0 Travel 88 Wellness Program 0 Leases & Rentals of equipment 0 Repairs/Maintenance Agreements 0 Telephone/Beepers/Cellular Phones 0 Temp/Contract Personnel 24,933 Provision for Loss Contracts 0 Risk Banding Reserve 0 Program Run Out Expense 0 State Admin 194,134 Miscellaneous Expense (6,725,392) Total DIRECT Expenses (3,098,988)			8,899,639 16,074 4,784,756 847,432 0 178,877 0 0 300,464 20,953 1,207,740 449,580 0 0 1,929 4,015 2,648 1,363 1,804 0 4,783 0 0 387 140 14,801 0 0 0 (16,660,565) (3,032,519) (2,955,699)
Other ALLOCATED Expenses (Provide detail) Rent/Utilities 155,830 Printing 907 Postage 124,096 Legal Fees (166,762) Outside Services 728,964 Board & Committee Fees (2,651) Survey Fees (83,531) Telephone/Beepers/Cellular Phones 59,471 Books & Subscriptions 52,106 Minor Equipment 118,620 Computer Supplies 0 Dues, Fees & Licenses 18,404 Education & Seminars 21,612 Meals & Entertainment 7,072 Office Supplies 20,615 Travel 27,332 Miscellaneous Expense 20,394 Franchise, Excise & Property Taxes & Sales/Use Tax (68,825) Insurance 123,952 Leases & Rentals of equipment 17,978 Repairs/Maintenance Agreements 187,320 Relocation Expense Total 309 Training and Orientation Total 0 Temp/Contract Personnel 129,845 Covenant Management Fees 540,038 Total ALLOCATED Expenses 2,033,096			537,634 141,274 373,155 745,164 743,642 170,130 54,527 232,273 130,040 99,858 0 229,951 35,637 30,659 96,042 79,554 158,185 139,083 414,930 128,625 524,947 9,937 0 547,674 1,703,691 7,326,612
36. TOTAL ADMINISTRATION (Lines 31 to 36)	(1,065,892)	4,293,635	4,370,914
FIT & Excise Tax	(249,424)	(249,424)	2,209,893
37. Total Other Expenses:	(249,424)	(249,424)	2,209,893
38. TOTAL EXPENSES (Lines 30 and 37 and 37A)	42,612,623	243,884,739	252,394,922
39. NET INCOME (LOSS) (Line 4 less Line 38)	7,259,789	9,122,977	5,074,067

EXHIBIT 5 - AMOUNTS DUE FROM PARENT, SUBSIDIARIES AND AFFILIATES

1 Name of Affiliate	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 Over 90 Days	6 Nonadmitted	Admitted	
						7 Current	8 Non-Current
Individually listed receivables							
Preferred Health Partnership Inc. - I/C FIT Rec	1,764			36,464	36,464	1,764	
Cariten Health Plan	214,583					214,583	
Cariten Insurance Company	37,354					37,354	
0199999 Total - Individually listed receivables	253,701			36,464	36,464	253,701	
0299999 Receivables not inidividually listed							
0399999 Total gross amounts receivable	253,701			36,464	36,464	253,701	

Notes to Financial Statement

1. Summary of Significant Accounting Policies

A. Accounting Practices

The financial statements of Preferred Health Partnership of Tennessee, Inc. are presented on the basis of accounting practices prescribed or permitted by the NAIC Accounting Practices and Procedures manual and the state of Tennessee Department of Commerce and Insurance.

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with the Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

C. Accounting Policy

The plan does not receive premiums from the State; the plan does receive a monthly capitation check to pay for the claims and administrative expenses of the company. This capitation revenue is recognized as income in the period it is received, as it exceeds administrative expenses by direction of the TennCare Bureau. Expenses incurred in connection with acquiring new insurance business are charged to operations as incurred.

In addition, the company uses the following accounting policies:

- (1) All investments with maturities of one year or less at the time of acquisition are considered short-term investments.
- (2) Bonds consist of US Government securities, municipal bonds, corporate bonds, and other, are carried at amortized cost if the bond has a NAIC designation of 1 or 2. Bonds with a NAIC designation of 3 to 6 are reported at the lower of amortized cost or fair value. Unrealized losses on investments with NAIC designations of 3 to 6 are recorded as a direct charge to surplus. Cost of investments sold is determined using the specific identification method. Bond discounts and premiums are amortized or accreted over the life of the bond on a straight-line basis, which approximates the constant yield interest method.
- (3) Common stock is stated at par.
- (4) Not applicable
- (5) Not applicable
- (6) Not applicable
- (7) Not applicable
- (8) Not applicable
- (9) Not applicable
- (10) Anticipated investment income is not a factor in the premium deficiency calculations.
- (11) Liabilities for losses and loss/claim adjustment expenses include an amount determined based on past experience for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods of making such estimates and for establishing the resulting liability is reviewed on a monthly basis and any adjustments are reflected in the period determined.
- (12) Not applicable
- (13) Not applicable

2. Accounting Changes and Corrections of Errors

A. No errors or changes in accounting principles have occurred.

3. Business Combinations and Goodwill

Not applicable

4. Discontinued Operations

Not applicable

5. Investments

Not applicable

6. Joint Ventures, Partnerships, and Limited Liability Companies

Not applicable

7. Investment Income

All investment income due and accrued was admitted.

8. Derivative Instruments

Not applicable

9. Income Taxes

A. The components of the net DTA recognized in the Company's Assets, Liabilities, Surplus

STATEMENT AS OF December 31, 2005 OF THE Preferred Health Partnership of Tennessee, Inc.														
Notes to Financial Statement														
and Other Funds are as follows:														
	Dec. 31, 2005	Jan. 1, 2005												
Total of gross deferred tax assets	7,898,114	12,744,289												
Total of deferred tax liabilities	<u>(45,926)</u>	<u>(43,075)</u>												
Net deferred tax assets	7,852,188	12,701,214												
Deferred tax asset nonadmitted	<u>(7,852,188)</u>	<u>(12,701,214)</u>												
Net admitted deferred tax asset	-	-												
(Increase) decrease in nonadmitted asset	<u>4,849,026</u>	<u></u>												
<p>B. Deferred tax liabilities for 2005 are not recognized for investment discount accretion in the amount of \$45,926. There were no temporary differences due to investments in foreign subsidiaries or corporations.</p> <p>C. The current income tax benefit for 2005 is \$249,424. The \$4,849,000 decrease in deferred tax assets is primarily due to the reduction of estimated aggregate policy reserves. There are no deferred provisions for income taxes in 2005 due to the utilization of net operating loss carry-forwards and nonadmitted deferred tax assets.</p> <p>D. The significant book to tax adjustments were as follows:</p> <table> <tr> <td></td><td>Amount:</td><td>Tax Effect:</td></tr> <tr> <td>Income before taxes</td><td>8,873,553</td><td>3,017,008</td></tr> <tr> <td>Book over Tax Reserves</td><td>(9,607,153)</td><td>(3,266,432)</td></tr> <tr> <td>Taxable Income</td><td>(733,600)</td><td>(249,424)</td></tr> </table> <p>E. There are no operating loss or tax credits to carry forward</p> <p>F. (1) The Plan's federal income tax return is consolidated with the following entities: PHP Companies, Inc Preferred Health Partnership, Inc. Cariten Health Plan, Inc. Cariten Insurance Company</p> <p>(2) Tax payments and the recoupment (in the event of future losses) of taxes paid pursuant to the tax allocation agreement are computed on a separate company basis as determined in accordance with the tax allocation agreement.</p>				Amount:	Tax Effect:	Income before taxes	8,873,553	3,017,008	Book over Tax Reserves	(9,607,153)	(3,266,432)	Taxable Income	(733,600)	(249,424)
	Amount:	Tax Effect:												
Income before taxes	8,873,553	3,017,008												
Book over Tax Reserves	(9,607,153)	(3,266,432)												
Taxable Income	(733,600)	(249,424)												
10. Information concerning Parent, Subsidiaries, and Affiliates														
<p>A. The Plan is a wholly-owned subsidiary of PHP Companies, Inc., a holding company domiciled in the State of Tennessee. PHP Companies, Inc. is a wholly-owned subsidiary of Covenant Health, a non-profit organization domiciled in the State of Tennessee. The holding company group consist of the following companies: Preferred Health Partnership, Inc., Cariten Health Plan, Inc., Preferred Health Partnership of Tennessee, Inc., and Cariten Insurance Company.</p> <p>B. The Plan periodically transfers cash to the parent, PHP Companies, Inc., to reimburse for cost allocations and Plan expenses recorded on the Plan's behalf by the parent. The following amounts were transferred to the parent during 2005: (1) \$1,000,000 on 01/13/05 (2) \$750,000 on 01/28/05 (3) \$1,000,000 on 02/24/05 (4) \$1,000,000 on 04/18/05 (5) \$1,000,000 on 04/29/05 (6) \$1,000,000 on 05/13/05 (7) \$1,000,000 on 06/10/05 (8) \$1,000,000 on 06/29/05 (9) \$1,000,000 on 07/15/05 (10) \$1,000,000 on 07/28/05 (11) \$1,500,000 on 08/26/05 (12) \$1,250,000 on 09/12/05 (13) \$1,750,000 on 10/13/05 (14) \$1,500,000 on 11/30/05 (15) \$1,250,000 on 12/30/05.</p> <p>C. The Plan transferred \$17,000,000 to PHP Companies and PHP Companies transferred \$0.00 to the plan. Cost allocations received from the parent company totaled \$17,726,084. Plan expenses paid by the parent on behalf of the plan totaled \$921,044.24.</p> <p>D. As of December 31, 2005 the Plan has a payable to PHP Companies, Inc. in the amount of \$215,985 and a receivable from Preferred Health Partnership, Inc. in the amount of \$36,463.60 and a receivable from Cariten Health Plan, Inc. in the amount of \$4,277.</p> <p>E. Not applicable</p> <p>F. The parent company of the Plan accumulates operating costs and allocates these expenses monthly to the operating entities listed above. Allocations are based proportionally on the membership counts of the companies listed above with government program memberships doubled, due to higher administration costs.</p> <p>G-K. Not applicable</p>														
11. Debt														
Not applicable														
12. Retirement Plans, Deferred Compensation, Post employment benefits and Compensated Absences and Other Postretirement Benefit Plans.														
Not applicable														
13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations														

STATEMENT AS OF December 31, 2005 OF THE Preferred Health Partnership of Tennessee, Inc.	
Notes to Financial Statement	
(1)	The Plan has 1,000 shares of \$1 par common stock authorized and outstanding. All stock is owned by the parent company, PHP Companies, Inc.
(2)	Not applicable
(3)	No dividends are paid
(4)	Not applicable
(5)	No restrictions are placed on surplus.
(6)	Not applicable
(7)	No stock is held by the Company.
(8)	Not applicable
(9)	Surplus was reduced by \$75,168 due to nonadmitted assets of \$36, 464 and an unrealized valuation loss of \$38,704.
(10)	Not applicable
(11)	Not applicable
(12)	Not applicable
14.	Contingencies
	Not applicable
15.	Leases
	Not applicable
16.	Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk
	Not applicable
17.	Sales, Transfer and Servicing of Financial Assets and Extinguishment of Liabilities
	Not applicable
18.	Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans
	Not applicable
19.	Direct Premium Written/Produced by Managing General Agents/Third Party Administrators
	Not applicable
20.	September 11 Events
	Not applicable
21.	Other Items
	Not applicable
22.	Events Subsequent
	Not applicable
23.	Reinsurance
	Not applicable
24.	Retrospectively Rated Contracts & Contracts Subject to Redetermination
	Not applicable
25.	Change in Incurred Claims and Claim Adjustment Expenses
	The reserve for incurred claims is calculated based on a percentage of completion factor. This factor is determined based on actuarial projections of trends in service.
26.	Intercompany Pooling Arrangements
	Not applicable

Notes to Financial Statement

27. Structured Settlements

Not applicable

28. Health Care Receivables

Not applicable

29. Participating Policies

Not applicable

30. Premium Deficiency Reserves

As of December 31, 2005, the Company had liabilities of \$6,732,000 related to premium deficiency reserves. The Company did not consider anticipated investment income when calculating its premium deficiency reserves.

31. Anticipated Salvage and Subrogation

Not applicable

FIVE-YEAR HISTORICAL DATA

	1 2005	2 2004	3 2003	4 2002	5 2001
BALANCE SHEET ITEMS (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 26)	59,028,032	62,005,506	59,027,669	77,801,546	90,186,766
2. Total liabilities (Page 3, Line 22)	23,683,129	35,744,876	37,841,106	62,390,090	71,904,218
3. Statutory surplus	7,247,122	7,338,566	7,694,827	7,051,698	6,821,720
4. Total capital and surplus (Page 3, Line 31)	35,344,903	26,260,630	21,186,563	17,929,640	18,282,548
INCOME STATEMENT ITEMS (Page 4)					
5. Total revenues (Line 8)	4,822,730	4,031,669	1,444,871	109,977,814	206,607,052
6. Total medical and hospital expenses (Line 18)	(1,741,816)	(866,620)	549,176	84,622,772	188,217,010
7. Claims adjustment expenses (Line 20)					
8. Total administrative expenses (Line 21)				25,094,419	19,930,506
9. Net underwriting gain (loss) (Line 24)	6,564,546	4,898,289	895,695	(5,012,557)	(6,876,106)
10. Net investment gain (loss) (Line 27)	2,309,007	2,385,671	3,614,841	4,659,647	4,802,118
11. Total other income (Lines 28 plus 29)					
12. Net income or (loss) (Line 32)	9,122,977	5,074,067	3,214,571	(352,910)	(2,073,988)
RISK-BASED CAPITAL ANALYSIS					
13. Total adjusted capital	35,344,903	26,260,630	21,186,563	17,929,640	18,282,548
14. Authorized control level risk-based capital	63,373	104,509	762,662	4,409,803	8,998,561
ENROLLMENT (Exhibit 1)					
15. Total members at end of period (Column 5, Line 7)	117,734	131,264	131,008	131,280	117,787
16. Total members months (Column 6, Line 7)	1,498,890	1,585,507	1,576,120	1,411,276	1,314,549
OPERATING PERCENTAGE (Page 4)					
(Item divided by Page 4, sum of Lines 2, 3 and 5)x 100.0					
17. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
18. Total hospital and medical plus other non-health (Lines 18 plus Line 19) ..					
19. Cost containment expenses			X X X	X X X	X X X
20. Other claims adjustment expenses					
21. Total underwriting deductions (Line 23)			281	105	104
22. Total underwriting gain (loss) (Line 24)			458	(5)	(3)
UNPAID CLAIMS ANALYSIS					
(U&I Exhibit, Part 2B)					
23. Total claims incurred for prior years (Line 13, Column 5)	(741,816)	554,890	3,665,953	18,765,463	18,207,081
24. Estimated liability of unpaid claims-[prior year (Line 13, Column 6)]	1,000,000	1,421,510	3,116,777	30,879,480	27,962,312
INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES					
25. Affiliated bonds (Sch. D Summary, Line 25, Column 1)					
26. Affiliated preferred stocks (Sch. D Summary, Line 39, Column 1)					
27. Affiliated common stocks (Sch. D Summary, Line 53, Column 2)					
28. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Column 5, Line 11)					
29. Affiliated mortgage loans on real estate					
30. All other affiliated					
31. Total of above Lines 25 to 30					

SCHEDULE D - SUMMARY BY COUNTRY
Long-Term Bonds and Stocks OWNED December 31 of Current Year

Description			1 Book/Adjusted Carrying Value	2 Fair Value	3 Actual Cost	4 Par Value of Bonds
BONDS Governments (Including all obligations guaranteed by governments)	1.	United States	32,932,999	32,542,963	33,264,378	32,851,936
	2.	Canada				
	3.	Other Countries				
	4.	Totals	32,932,999	32,542,963	33,264,378	32,851,936
States, Territories and Possessions (Direct and Guaranteed)	5.	United States				
	6.	Canada				
	7.	Other Countries				
	8.	Totals				
Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed)	9.	United States	977,465	947,690	975,000	1,000,000
	10.	Canada				
	11.	Other Countries				
	12.	Totals	977,465	947,690	975,000	1,000,000
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13.	United States				
	14.	Canada				
	15.	Other Countries				
	16.	Totals				
Public Utilities (unaffiliated)	17.	United States				
	18.	Canada				
	19.	Other Countries				
	20.	Totals				
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21.	United States	22,181,510	22,204,433	22,560,625	20,740,000
	22.	Canada				
	23.	Other Countries				
	24.	Totals	22,181,510	22,204,433	22,560,625	20,740,000
Parent, Subsidiaries and Affiliates	25.	Totals				
	26.	Total Bonds	56,091,974	55,695,086	56,800,003	54,591,936
PREFERRED STOCKS Public Utilities (unaffiliated)	27.	United States				
	28.	Canada				
	29.	Other Countries				
	30.	Totals				
Banks, Trust and Insurance Companies (unaffiliated)	31.	United States				
	32.	Canada				
	33.	Other Countries				
	34.	Totals				
Industrial and Miscellaneous (unaffiliated)	35.	United States				
	36.	Canada				
	37.	Other Countries				
	38.	Totals				
Parent, Subsidiaries and Affiliates	39.	Totals				
	40.	Total Preferred Stocks				
COMMON STOCKS Public Utilities (unaffiliated)	41.	United States				
	42.	Canada				
	43.	Other Countries				
	44.	Totals				
Banks, Trust and Insurance Companies (unaffiliated)	45.	United States				
	46.	Canada				
	47.	Other Countries				
	48.	Totals				
Industrial and Miscellaneous (unaffiliated)	49.	United States				
	50.	Canada				
	51.	Other Countries				
	52.	Totals				
Parent, Subsidiaries and Affiliates	53.	Totals				
	54.	Total Common Stocks				
	55.	Total Stocks				
	56.	Total Bonds and Stocks	56,091,974	55,695,086	56,800,003	

SCHEDULE D - Verification Between Years
Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year.	<u>58,499,929</u>	7. Amortization of premium.	<u>394,631</u>
2. Cost of bonds and stocks acquired, Column 7, Part 3.	<u>15,530,259</u>	8. Foreign Exchange Adjustment:	
3. Accrual of discount	<u>47,654</u>	8.1 Column 15, Part 1.	
4. Increase (decrease) by adjustment:		8.2 Column 19, Part 2, Section 1.	
4.1 Columns 12 - 14, Part 1.	<u>(38,704)</u>	8.3 Column 16, Part 2, Section 2.	
4.2 Column 15 - 17, Part 2, Section 1.		8.4 Column 15, Part 4.	
4.3 Column 15, Part 2, Section 2.		9. Book/adjusted carrying value at end of current period.	<u>56,091,973</u>
4.4 Column 11 - 13, Part 4.	<u>(38,704)</u>	10. Total valuation allowance.	
5. Total gain (loss), Column 19, Part 4.	<u>47,718</u>	11. Subtotal (Lines 9 plus 10).	<u>56,091,973</u>
6. Deduct consideration for bonds and stocks disposed of		12. Total nonadmitted assets.	
Column 7, Part 4.	<u>17,600,252</u>	13. Statement value of bonds and stocks, current period.	<u>56,091,973</u>

SCHEDULE D - PART 1A - SECTION 1

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Types of Issues and NAIC Designations

Quality Rating Per the NAIC Designation		1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total From Column 6 Prior Year	9 % From Column 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed (a)
1.	U.S. Governments, Schedules D & DA (Group 1)											
1.1	Class 1	7,264,347	13,251,259	12,417,393			32,932,999	57.13	37,499,823	64.10	32,932,999	
1.2	Class 2											
1.3	Class 3											
1.4	Class 4											
1.5	Class 5											
1.6	Class 6											
1.7	TOTALS	7,264,347	13,251,259	12,417,393			32,932,999	57.13	37,499,823	64.10	32,932,999	
2.	All Other Governments, Schedules D & DA (Group 2)											
2.1	Class 1											
2.2	Class 2											
2.3	Class 3											
2.4	Class 4											
2.5	Class 5											
2.6	Class 6											
2.7	TOTALS											
3.	States, Territories and Possessions etc., Guaranteed, Schedules D & DA (Group 3)											
3.1	Class 1											
3.2	Class 2											
3.3	Class 3											
3.4	Class 4											
3.5	Class 5											
3.6	Class 6											
3.7	TOTALS											
4.	Political Subdivisions of States, Territories & Possessions, Guaranteed, Schedules D & DA (Group 4)											
4.1	Class 1		977,465				977,465	1.70			977,465	
4.2	Class 2								1,000,000	1.71		
4.3	Class 3											
4.4	Class 4											
4.5	Class 5											
4.6	Class 6											
4.7	TOTALS		977,465				977,465	1.70	1,000,000	1.71	977,465	
5.	Special Revenue & Special Assessment Obligations etc., Non-Guaranteed, Schedules D & DA (Group 5)											
5.1	Class 1											
5.2	Class 2											
5.3	Class 3											
5.4	Class 4											
5.5	Class 5											
5.6	Class 6											
5.7	TOTALS											

SCHEDULE D - PART 1A - SECTION 1 (Continued)

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Types of Issues and NAIC Designations

Quality Rating Per the NAIC Designation		1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total From Column 6 Prior Year	9 % From Column 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed (a)
6.	Public Utilities (Unaffiliated), Schedules D & DA (Group 6)											
6.1	Class 1											
6.2	Class 2											
6.3	Class 3											
6.4	Class 4											
6.5	Class 5											
6.6	Class 6											
6.7	TOTALS											
7.	Industrial & Miscellaneous (Unaffiliated), Schedules D & DA (Group 7)											
7.1	Class 1	4,316,282	6,980,017	10,311,056			21,607,355	37.48	15,442,509	26.40	21,607,355	
7.2	Class 2	804,578		648,665			1,453,243	2.52	4,557,597	7.79	1,453,243	
7.3	Class 3		677,229				677,229	1.17			677,229	
7.4	Class 4											
7.5	Class 5											
7.6	Class 6											
7.7	TOTALS	5,120,860	7,657,246	10,959,721			23,737,827	41.18	20,000,106	34.19	23,737,827	
8.	Credit Tenant Loans, Schedules D & DA (Group 8)											
8.1	Class 1											
8.2	Class 2											
8.3	Class 3											
8.4	Class 4											
8.5	Class 5											
8.6	Class 6											
8.7	TOTALS											
9.	Parent, Subsidiaries and Affiliates, Schedules D & DA (Group 9)											
9.1	Class 1											
9.2	Class 2											
9.3	Class 3											
9.4	Class 4											
9.5	Class 5											
9.6	Class 6											
9.7	TOTALS											

SCHEDULE D - PART 1A - SECTION 1 (Continued)

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values By Major Types of Issues and NAIC Designations

Quality Rating Per the NAIC Designation		1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total From Column 6 Prior Year	9 % From Column 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed (a)
10. Total Bonds Current Year												
10.1	Class 1	11,580,629	21,208,741	22,728,449			55,517,819	96.30	X X X	X X X	55,517,819	
10.2	Class 2	804,578		648,665			1,453,243	2.52	X X X	X X X	1,453,243	
10.3	Class 3		677,229				677,229	1.17	X X X	X X X	677,229	
10.4	Class 4								X X X	X X X		
10.5	Class 5						(c)		X X X	X X X		
10.6	Class 6						(c)		X X X	X X X		
10.7	TOTALS	12,385,207	21,885,970	23,377,114			(b) 57,648,291	100.00	X X X	X X X	57,648,291	
10.8	Line 10.7 as a % of Column 6	21.48	37.96	40.55			100.00	X X X	X X X	X X X	100.00	
11. Total Bonds Prior Year												
11.1	Class 1	10,039,235	28,957,333	13,945,764			X X X	X X X	52,942,332	90.50	52,942,332	
11.2	Class 2	782,707	1,563,919	2,562,453	648,517		X X X	X X X	5,557,597	9.50	5,557,596	
11.3	Class 3						X X X	X X X				
11.4	Class 4						X X X	X X X				
11.5	Class 5						X X X	X X X	(c)			
11.6	Class 6						X X X	X X X	(c)			
11.7	TOTALS	10,821,942	30,521,252	16,508,217	648,517		X X X	X X X	(b) 58,499,929	100.00	58,499,928	
11.8	Line 11.7 as a % of Col. 8	18.50	52.17	28.22	1.11		X X X	X X X	100.00	X X X	100.00	
12. Total Publicly Traded Bonds												
12.1	Class 1	14,693,819	18,846,436	21,977,564			55,517,819	96.30	52,942,332	90.50	55,517,819	X X X
12.2	Class 2	804,578		648,665			1,453,243	2.52	5,557,596	9.50	1,453,243	X X X
12.3	Class 3		677,229				677,229	1.17			677,229	X X X
12.4	Class 4											X X X
12.5	Class 5											X X X
12.6	Class 6											X X X
12.7	TOTALS	15,498,397	19,523,665	22,626,229			57,648,291	100.00	58,499,928	100.00	57,648,291	X X X
12.8	Line 12.7 as a % of Col. 6	26.88	33.87	39.25			100.00	X X X	X X X	X X X	100.00	X X X
12.9	Line 12.7 as a % of Line 10.7, Col. 6, Section 10	26.88	33.87	39.25			100.00	X X X	X X X	X X X	100.00	X X X
13. Total Privately Placed Bonds												
13.1	Class 1										X X X	
13.2	Class 2										X X X	
13.3	Class 3										X X X	
13.4	Class 4										X X X	
13.5	Class 5										X X X	
13.6	Class 6										X X X	
13.7	TOTALS										X X X	
13.8	Line 13.7 as a % of Col. 6							X X X	X X X	X X X	X X X	
13.9	Line 13.7 as a % of Line 10.7, Col. 6, Section 10							X X X	X X X	X X X	X X X	

(a) Includes \$..... freely tradable under SEC Rule 144 or qualified for resale under SEC Rule 144A.
(b) Includes \$..... current year, \$..... prior year of bonds with Z designations and \$..... current year, \$..... prior year of bonds with Z* designations. The letter "Z" means the NAIC designation was not assigned by the Securities Valuation Office (SVO) at the date of the statement. "Z*" means the SVO could not evaluate the obligation because valuation procedures for the security class is under regulatory review.
(c) Includes \$..... current year, \$..... prior year of bonds with 5* designations and \$..... current year, \$..... prior year of bonds with 6* designations. "5*" means the NAIC designation was assigned by the SVO in reliance on the insurer's certification that the issuer is current in all principal and interest payments. "6*" means the NAIC designation was assigned by the SVO due to inadequate certification of principal and interest payments.

SCHEDULE D - PART 1A - SECTION 2

Maturity Distribution of All Bonds Owned December 31, At Book/Adjusted Carrying Values by Major Type and Subtype of Issues

Distribution by Type		1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total From Column 6 Prior Year	9 % From Column 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed
1.	U.S. Governments, Schedules D & DA (Group 1)											
1.1	Issuer Obligations	7,264,347	13,251,259	12,417,393			32,932,999	57.13	37,499,823	64.10	32,932,999	
1.2	Single Class Mortgage-Backed/Asset-Backed Securities											
1.7	TOTALS	7,264,347	13,251,259	12,417,393			32,932,999	57.13	37,499,823	64.10	32,932,999	
2.	All Other Governments, Schedules D & DA (Group 2)											
2.1	Issuer Obligations											
2.2	Single Class Mortgage-Backed/Asset-Backed Securities											
	MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
2.3	Defined											
2.4	Other											
	MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
2.5	Defined											
2.6	Other											
2.7	TOTALS											
3.	States, Territories and Possessions, Guaranteed, Schedules D & DA (Group 3)											
3.1	Issuer Obligations											
3.2	Single Class Mortgage-Backed/Asset-Backed Securities											
	MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
3.3	Defined											
3.4	Other											
	MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
3.5	Defined											
3.6	Other											
3.7	TOTALS											
4.	Political Subdivisions of States, Territories & Possessions, Guaranteed, Schedules D & DA (Group 4)											
4.1	Issuer Obligations		977,465				977,465	1.70	1,000,000	1.71	977,465	
4.2	Single Class Mortgage-Backed/Asset-Backed Securities											
	MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
4.3	Defined											
4.4	Other											
	MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
4.5	Defined											
4.6	Other											
4.7	TOTALS		977,465				977,465	1.70	1,000,000	1.71	977,465	
5.	Special Revenue & Special Assessment Obligations etc., Non-Guaranteed, SCH. D & DA (Group 5)											
5.1	Issuer Obligations											
5.2	Single Class Mortgage-Backed/Asset-Backed Securities											
	MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
5.3	Defined											
5.4	Other											
	MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
5.5	Defined											
5.6	Other											
5.7	TOTALS											

SCHEDULE D - PART 1A - SECTION 2 (Continued)

Maturity Distribution of All Bonds Owned December 31, At Book/Adjusted Carrying Values by Major Type and Subtype of Issues

	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total From Column 6 Prior Year	9 % From Column 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed
Distribution by Type											
6. Public Utilities (Unaffiliated), Schedules D & DA (Group 6)											
6.1 Issuer Obligations											
6.2 Single Class Mortgage-Backed/Asset-Backed Securities											
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
6.3 Defined											
6.4 Other											
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
6.5 Defined											
6.6 Other											
6.7 TOTALS											
7. Industrial & Miscellaneous (Unaffiliated), Schedules D & DA (Group 7)											
7.1 Issuer Obligations	5,120,860	7,657,246	10,959,721			23,737,827	41.18	20,000,106	34.19	23,737,827	
7.2 Single Class Mortgage-Backed/Asset-Backed Securities											
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
7.3 Defined											
7.4 Other											
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
7.5 Defined											
7.6 Other											
7.7 TOTALS	5,120,860	7,657,246	10,959,721			23,737,827	41.18	20,000,106	34.19	23,737,827	
8. Credit Tenant Loans, Schedules D & DA (Group 8)											
8.1 Issuer Obligations											
8.7 TOTALS											
9. Parent, Subsidiaries and Affiliates, Schedules D & DA (Group 9)											
9.1 Issuer Obligations											
9.2 Single Class Mortgage-Backed/Asset-Backed Securities											
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
9.3 Defined											
9.4 Other											
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
9.5 Defined											
9.6 Other											
9.7 TOTALS											

SCHEDULE D - PART 1A - SECTION 2 (Continued)

Maturity Distribution of All Bonds Owned December 31, At Book/Adjusted Carrying Values by Major Type and Subtype of Issues

	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total From Column 6 Prior Year	9 % From Column 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed
Distribution by Type											
10. Total Bonds Current Year											
10.1 Issuer Obligations	12,385,207	21,885,970	23,377,114			57,648,291	100.00	X X X	X X X	57,648,291	
10.2 Single Class Mortgage-Backed/Asset-Backed Securities								X X X	X X X		
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
10.3 Defined								X X X	X X X		
10.4 Other								X X X	X X X		
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
10.5 Defined								X X X	X X X		
10.6 Other								X X X	X X X		
10.7 TOTALS	12,385,207	21,885,970	23,377,114			57,648,291	100.00	X X X	X X X	57,648,291	
10.8 Line 10.7 as a % of Column 6	21.48	37.96	40.55			100.00	X X X	X X X	X X X	100.00	
11. Total Bonds Prior Year											
11.1 Issuer Obligations	10,821,942	30,521,252	16,508,217	648,517		X X X	X X X	58,499,929	100.00	58,499,928	
11.2 Single Class Mortgage-Backed/Asset-Backed Securities						X X X	X X X				
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
11.3 Defined						X X X	X X X				
11.4 Other						X X X	X X X				
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
11.5 Defined						X X X	X X X				
11.6 Other						X X X	X X X				
11.7 TOTALS	10,821,942	30,521,252	16,508,217	648,517		X X X	X X X	58,499,929	100.00	58,499,928	
11.8 Line 11.7 as a % of Column 8	18.50	52.17	28.22	1.11		X X X	X X X	100.00	X X X	100.00	
12. Total Publicly Traded Bonds											
12.1 Issuer Obligations	15,498,397	19,523,665	22,626,229			57,648,291	100.00	58,499,928	100.00	57,648,291	X X X
12.2 Single Class Mortgage-Backed/Asset-Backed Securities											X X X
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
12.3 Defined											X X X
12.4 Other											X X X
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
12.5 Defined											X X X
12.6 Other											X X X
12.7 TOTALS	15,498,397	19,523,665	22,626,229			57,648,291	100.00	58,499,928	100.00	57,648,291	X X X
12.8 Line 12.7 as a % of Column 6	26.88	33.87	39.25			100.00	X X X	X X X	X X X	100.00	X X X
12.9 Line 12.7 as a % of Line 10.7, Column 6, Section 10	26.88	33.87	39.25			100.00	X X X	X X X	X X X	100.00	X X X
13. Total Privately Placed Bonds											
13.1 Issuer Obligations										X X X	
13.2 Single Class Mortgage-Backed/Asset-Backed Securities										X X X	
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
13.3 Defined										X X X	
13.4 Other										X X X	
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
13.5 Defined										X X X	
13.6 Other										X X X	
13.7 TOTALS										X X X	
13.8 Line 13.7 as a % of Column 6							X X X	X X X	X X X	X X X	
13.9 Line 13.7 as a % of Line 10.7, Column 6, Section 10							X X X	X X X	X X X	X X X	

SCHEDULE D - PART 1
Showing all Long-Term BONDS Owned December 31 of Current Year

1	2	Codes			6	7	Fair Value		10	11	Change in Book Adjusted Carrying Value				Interest					Dates	
		3	4	5			8	9			12	13	14	15	16	17	18	19	20	21	22
CUSIP	Description	*	F O R E I G N	Bond CHAR	NAIC Design- ation	Actual Cost	Rate Used to Obtain Fair Value	Fair Value	Par Value	Book/ Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amortization) Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Foreign Exchange Change in B./A.C.V.	Rate of	Effective Rate of Interest	How Paid	Admitted Amount Due and Accrued	Gross Amount Received During Year	Acquired	Maturity
U.S. Governments - Issuer Obligations																					
665278107	NORTHERN INSTL FDS				1	196,936	100.0000	196,936	196,936	196,936						3.973	MON	4,468	14,051	12/01/2004	12/31/2005
912828AN0	US TREAS NTS				1	101,226	97.5080	97,508	100,000	100,529		(288)			3.000		NM	500	2,712	07/31/2003	11/15/2007
912828AZ3	US TREAS NTS				1	200,000	96.0630	192,196	200,000	200,000					2.625		MN	875	5,250	04/19/2004	05/15/2008
912828CE8	US TREAS NTS				1	2,210,963	96.2030	2,164,568	2,250,000	2,223,324		7,808			3.125		AO	17,578	78,120	06/08/2004	04/15/2009
3133X7C51	FHLB TRANCHE				1FE	2,012,758	100.0000	2,006,804	2,000,000	2,006,804		(5,103)			3.500		MN	8,750	64,897	11/12/2004	05/15/2007
3134A4TE4	FHLMC				1FE	3,037,968	97.3843	2,921,529	3,000,000	3,017,020		(7,855)			2.750		MS	24,063	74,645	05/29/2003	03/15/2008
3134A0TG7	FHLMC GLOBAL BD				1FE	2,768,374	100.0521	2,906,514	2,905,000	2,905,000		13,894			5.950	6.244	JJ	77,301	186,742	03/15/1996	01/19/2006
31359MHB2	FNMA				1FE	1,746,342	100.1100	1,651,815	1,650,000	1,652,240		(26,886)			5.500	5.197	FA	34,031	63,864	07/17/2002	02/15/2006
3133MDJP9	FHLB FED HOME LN BK				1FE	2,596,625	100.0778	2,501,945	2,500,000	2,510,171		(61,026)			5.125	4.934	MS	40,573	67,099	08/02/2004	03/06/2006
31359MGH0	FNMA				1FE	3,313,125	103.1634	3,094,902	3,000,000	3,173,043		(98,882)			6.625	5.999	OA	41,406	99,868	08/19/2004	10/15/2007
912828AZ3	US TREAS NTS				1FE	982,969	96.0625	960,625	1,000,000	988,910		4,753			2.625	2.670	MN	3,281	31,003	10/04/2004	05/15/2008
3133X0LJ6	FHLB				1FE	1,001,571	97.6250	976,250	1,000,000	1,001,082		(419)			3.750	3.744	AF	14,063	26,039	11/30/2004	08/15/2008
912828ED8	US TREASURY				1	540,203	99.0156	544,586	550,000	540,547		344			4.125	4.200	AF	8,446	344	11/03/2005	08/15/2010
31359MMF7	FNMA PREASSIGN		1		1FE	2,641,016	100.1880	2,504,700	2,500,000	2,594,442		(15,525)			5.625	5.325	FA	47,656	125,100	01/22/2003	02/28/2012
31359MNU3	FNMA				1	1,516,466	100.9592	1,514,388	1,500,000	1,511,118		(1,689)			5.250	5.193	AF	32,594	77,061	11/21/2002	08/01/2012
31359MQV8	FNMA PREASSIGN		1		1FE	1,053,339	98.7898	1,037,293	1,050,000	1,052,422		(340)			4.750	4.735	FA	25,789	49,535	04/10/2003	02/21/2013
3128X2TM7	FHLMC TRANCHE				1	991,710	98.5615	985,615	1,000,000	992,042		331			5.000	5.050	JJ	27,500	332	09/26/2005	01/30/2014
3128X2TM7	FHLMC TRANCHE				1	1,235,863	98.5615	1,232,019	1,250,000	1,236,291		428			5.000	5.050	JJ	11,458	428	10/21/2005	01/30/2014
31359MWJ8	FNMA PREASSIGN				1	698,488	98.8215	592,929	600,000	598,687		150			4.625	4.637	OA	5,781	27,900	09/15/2004	10/15/2014
912828DM9	US TREAS NT				1	2,705,273	96.9531	2,763,163	2,850,000	2,717,435		12,162			4.000	4.164	FA	42,750	55,935	03/23/2005	02/15/2015
912828DM9	US TREAS NT				1	1,228,906	96.9531	1,211,914	1,250,000	1,230,007		1,101			4.000	4.164	FA	18,750	4,692	07/19/2005	02/15/2015
912828DM9	US TREAS NT				1	484,258	96.9531	484,766	500,000	484,948		690			4.000	4.164	FA	7,500	967	08/08/2005	02/15/2015
0199999	Subtotal - U.S. Governments - Issuer Obligations					33,264,378	X X X	32,542,963	32,851,936	32,932,999		(176,353)			X X X	X X X	X X X	495,113	1,056,584	X X X	X X X
0399999	Subtotal - U.S. Governments					33,264,378	X X X	32,542,963	32,851,936	32,932,999		(176,353)			X X X	X X X	X X X	495,113	1,056,584	X X X	X X X
Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed) - Issuer Obligations																					
880557G98	TN ST SCH BD AUTH				1FE	975,000	97.1990	947,690	1,000,000	977,465		2,465			4.190	4.190	MN	6,867	16,990	06/08/2005	05/01/2011
1899999	Subtotal - Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed) - Issuer Obligations					975,000	X X X	947,690	1,000,000	977,465		2,465			X X X	X X X	X X X	6,867	16,990	X X X	X X X
2499999	Subtotal - Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed)					975,000	X X X	947,690	1,000,000	977,465		2,465			X X X	X X X	X X X	6,867	16,990	X X X	X X X
Industrial & Miscellaneous (Unaffiliated) - Issuer Obligations																					
254687AM8	DSINEY WALT CO				2FE	836,624	100.4768	803,814	800,000	804,578		(2,468)			6.750	6.455	MS	13,500	17,082	11/30/2004	03/30/2006
319963AE4	1ST DATA CORP SR NT				1	1,591,980	99.8640	1,497,960	1,500,000	1,519,995		(23,995)			4.700	4.428	NM	11,554	46,505	01/08/2003	11/01/2006
90331HHW6	US BK NATL ASSN CIN OH				1	1,239,888	98.3498	1,219,538	1,240,000	1,239,969		37			2.850	2.850	NM	4,418	35,377	11/04/2003	11/15/2006
073902BZ0	BEAR STEARNS GOS INC				1	492,335	100.7927	503,964	500,000	498,414		1,586			5.700	5.789	JJ	13,063	30,086	03/25/2002	01/15/2007
345397TX1	FORD MTR CO				3FE	739,851	96.7470	677,229	700,000	677,229	(38,704)	(15,940)			6.500	6.150	JJ	19,590	29,560	07/08/2004	01/25/2007
02003EAD4	PVTPPL ALLSTATE LIFE GLOBAL				1FE	749,738	96.9140	749,183	750,000	749,899		81			2.625	2.626	AO	4,102	19,768	01/13/2004	04/15/2007
46625HAP5	JPMORGAN CHASE & CO				1FE	1,066,580	100.4531	1,004,531	100,000	1,025,982		(11,367)			5.250	4.922	MN	4,375	14,883	06/29/2005	05/30/2007
49306BNC3	KEY BK				1FE	729,162	99.9878	699,915	700,000	714,573		(9,721)			5.000	4.800	JJ	15,847	25,279	07/09/2004	07/17/2007
867914AQ6	SUNTRUST BKS INC				1FE	813,465	102.9807	772,355	750,000	790,011		(16,556)			6.250	5.762	JD	3,776	30,319	08/04/2004	06/01/2008
33738MAC5	1ST UN NATL BK CHARLOTTE				1FE	820,576	102.6353	821,082	800,000	820,004		(572)			5.800	5.655	DJ	3,738	(572)	12/09/2005	12/01/2008
22237LHE5	COUNTRYWIDE HOME LNS				1FE	773,070	103.1173	773,380	750,000	772,493		(577)			6.250	6.063	AO	9,766	(577)	12/21/2005	04/15/2009
172967CH2	CITIGROUP INC				1FE	768,992	96.2746	770,197	800,000	769,808		816			3.625	3.771	FA	11,358	816	12/12/2005	02/09/2009
40429CCX8	PVTPPL HSBC FIN CORP				1FE	750,900	100.0512	750,384	750,000	750,885		(15)			5.250	5.244	JJ	3,391	(15)	12/21/2005	01/14/2011
38141GAZ7	GOLDMAN SACHS GROUP INC				1	1,139,340	107.7272	1,077,272	1,000,000	1,089,897		(17,979)			6.875	6.034	JJ	31,510	50,771	04/03/2003	01/15/2011
758940AF7	REGIONS FINANCIAL CORP NT				1FE	2,513,850	109.2980	2,732,450	2,500,000	2,507,216		(1,397)			7.000	6.961	MN	57,847	173,603	04/25/2001	03/01/2011
949746CE9	WELLS FARGO & CO				1FE	1,071,670	107.1848	1,071,848	1,000,000	1,068,598		(3,072)			6.375	5.949	AF	26,385	(3,072)	10/20/2005	08/01/2011
110122AG3	BRISTOL MYERS SQUIBB CO				1FE	790,838	103.7790	774,584	750,000	782,765		(5,698)			5.750	5.453	OA	10,661</			

SCHEDULE D - PART 1
Showing all Long-Term BONDS Owned December 31 of Current Year

1	2	Codes			6	7	Fair Value		10	11	Change in Book Adjusted Carrying Value				Interest					Dates	
		3	4	5			8	9			12	13	14	15	16	17	18	19	20	21	22
		*	F O R E I G N	Bond CHAR			Rate Used to Obtain Fair Value	Fair Value			Unrealized Valuation Increase/ (Decrease)	Current Year's (Amortization) Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Foreign Exchange Change in B./A.C.V.	Rate of	Effective Rate of Interest	How Paid	Admitted Amount Due and Accrued	Gross Amount Received During Year	Acquired	Maturity
5499999 Subtotals - Issuer Obligations						56,800,003	X X X ..	55,695,087	54,591,936	56,091,974	(38,704)	(346,699)			X X X .	X X X .	X X X	829,616	1,785,115	X X X ..	X X X ..
6099999 Grand Total - Bonds						56,800,003	X X X ..	55,695,087	54,591,936	56,091,974	(38,704)	(346,699)			X X X .	X X X .	X X X	829,616	1,785,115	X X X ..	X X X ..



SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES
Due April 1

For the year ended December 31, 2005

Of The Preferred Health Partnership of Tennessee, Inc.

Address (City, State, Zip Code) Knoxville , TN, 37932

NAIC Group Code 1253

NAIC Company Code 95749

Employer's ID Number 62-1546662

The Investment Risk Interrogatories are to be filed by April 1. They are also to be included with the Audited Statutory Financial Statements.
Answer the following interrogatories by reporting the applicable U. S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments.

1. Reporting entity's total admitted assets as reported on Page 2 of this annual statement. \$ 59,028,032

1	2	3	4
Issuer	Description of Exposure	Amount	Percentage of Total Admitted Assets
2. Ten largest exposures to a single issuer/borrower/investment.			
2.01 REGIONS FINANCIAL CORP NT 38141GAZ7	BOND	2,507,216	4.248
2.02 1ST DATA CORP SR NT 319963AE4	BOND	1,519,995	2.575
2.03 US BK NATL ASSN CIN OH 90331HHW6	BOND	1,239,969	2.101
2.04 GOLDMAN SACHS GROUP INC 38141GAZ7	BOND	1,089,897	1.846
2.05 WELLS FARGO & CO 949746CE9	BOND	1,068,598	1.810
2.06 LEHMAN BROS HLDGS INC 52517PSC6	BOND	1,064,520	1.803
2.07 JPMORGAN CHASE & CO 46625HAP5	BOND	1,025,982	1.738
2.08 GEN ELEC CAP CORP 36962GM68	BOND	994,983	1.686
2.09 BANKAMERICA CORP 066050CU7	BOND	838,833	1.421
2.10 1ST UN NATL BK CHARLOTTE 33738MAC5	BOND	820,004	1.389

NAIC Rating	1 Amount	2 Percent
3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC rating.		
Bonds		
3.01 NAIC-1	55,517,819	94.053
3.02 NAIC-2	1,453,243	2.462
3.03 NAIC-3	677,229	1.147
3.04 NAIC-4		
3.05 NAIC-5		
3.06 NAIC-6		
Preferred Stocks		
3.07 P/RP-1		
3.08 P/RP-2		
3.09 P/RP-3		
3.10 P/RP-4		
3.11 P/RP-5		
3.12 P/RP-6		

4. Assets held in foreign investments:
4.01 Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets? Yes[X] No[]

	1 Amount	2 Percent
4.02 Total admitted assets held in foreign investments		
4.03 Foreign-currency-denominated investments		
4.04 Insurance liabilities denominated in that same foreign currency		

If response, to 4.01 above is yes, responses are not required for interrogatories 5 - 10.



Management's Discussion and Analysis

Statement as of December 31, 2005 of the

Preferred Health Partnership of Tennessee, Inc. (PHP of Tennessee)

Supplement of the Annual Statement – Management's Discussion & Analysis

Preferred Health Partnership of Tennessee, Inc. (the Company) was organized in 1994 as a wholly-owned subsidiary of PHP Companies, Inc. (the Parent). The Company began as a fully funded risk managed care organization under contractual agreement with the State of Tennessee. In July 2002, PHP entered into an ASO non-risk contractual agreement with the State of Tennessee, which spans from July 2002 to December 2006. As under the risk managed plan, the TennCare program provides or arranges for the provision of health care services to members. TennCare pays the Company a monthly administration fee based on the number of enrolled members in the plan. The Company uses these fees to pay for all administration costs incurred to provide medical services. The State is directly responsible for payments of medical services.

FINANCIAL POSITION:

The financial position of PHP of Tennessee for the year ended December 31, 2005 indicated a gain in capital and surplus of \$9,084,273. The Company's statutory basis assets decreased from \$62,005,505 in 2004 to \$59,028,032 in 2005. The significant change in assets was a decrease in Receivables from Parent. Receivables from Parent decreased from \$2,511,535 in 2004 to \$253,701 in 2005. The cash balance at December 2005 was accumulated through the normal course of operations and is unencumbered and available for use in the health plan's operations.

Balances listed as due from affiliates are amounts owed to the company in the normal course of business from affiliated entities. All balances are listed at their net realizable value and are reasonably expected to be received.

Total liabilities decreased from \$35,744,876 in 2004 to \$23,683,129 in 2005. The significant change in liabilities includes a decrease in Aggregate Health Policy Reserves, General Expenses due or accrued, and Accrued Run Out Costs. Aggregate Health Policy Reserves decreased from \$10,826,641 in 2004 to \$6,732,000 in 2005, while General Expenses decreased from \$9,805,245 in 2004 to \$5,246,539 in 2005 and Accrued Run Out Costs decreased from \$14,082,990 in 2004 to \$11,488,605 in 2005. These decreases are directly correlated with the non-risk contract agreement that the Company has entered with the State of Tennessee.

RESULTS OF OPERATIONS:

Member-months reported in 2005 totaled 1,498,890, compared to 1,585,507 member-months reported in 2004. This decrease is attributable to the disenrollment of members by the TennCare Program. Member-months for the non-risk period totaled 1,498,890, which leaves 0 for the Risk period.

Total Premium Revenue reported for 2005 was \$0 as compared to reported 2004 revenue of \$0. Total Medical and Hospital Expenses decreased from \$(866,620) in 2004 to \$(1,741,816) in 2005. Total Claims Adjustment Expenses and total General Administrative Expenses remained at \$0 in 2004. General Administrative Expenses totaled \$14,292,822 before the offset of State Admin Revenues. The company has a management agreement with the parent company, PHP Companies, Inc., to provide management, administrative, marketing and certain clerical functions subject to the review of the Company's Board of Directors.

Management's Discussion and Analysis

Key Indicators for PHP of Tennessee, Inc. - Risk for PHP of Tennessee

	2005 Actual	2004 Actual	2003 Actual	2002 Actual	2001 Actual
Membership (Member Months)	0	0	186	683,908	1,314,549
Revenue – Medicaid Title XIX	\$0	\$0	\$195,632	\$109,964,306	\$204,781,359
Average Capitation PMPM	N/A	N/A	N/A	\$160.79	\$155.78
Administration Percent of Premium	N/A	N/A	N/A	11.50%	12.34%

CASH FLOW AND LIQUIDITY:

PHP of Tennessee believes that cash flow and liquidity were adversely affected by the members who were retroactively enrolled in the Medicaid population.